SIXTEENTH ANNUAL REPORT

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

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FOR THE FISCAL YEAR ENDED

DECEMBER 31, 1926

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

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HORNBLOWER, MILLER & GARRISON — *General Counsel*

NEW YORK OFFICE — 24 Broad Street

SIXTEENTH ANNUAL REPORT

New York, April 23, 1927.

To the Stockholders of

CAROLINA, CLINCHFIELD AND OHIO RAILWAY:

The Sixteenth Annual Report of the Board of Directors, for the fiscal year ended December 31, 1926, is submitted herewith.

MILEAGE

The mileage owned by Carolina, Clinchfield and Ohio Railway and its subsidiaries, Carolina, Clinchfield and Ohio Railway of South Carolina and Clinchfield Northern Railway of Kentucky, is as follows:

	Miles
Carolina, Clinchfield and Ohio Railway:	
Main line: Ky.-Va. State Line to N. C.-S. C. State Line	255.97
Branch lines: Carbo, Va., to Wilder, Va.	8.40
Hurricane Junction, Va., to Shaft, Va.	1.20
Bostic Yard, N. C., to Junction S. A. L. Railway	.79
Carolina, Clinchfield and Ohio Railway of South Carolina:	
Main line: N. C.-S. C. State Line to Spartanburg, S. C.	18.09
Clinchfield Northern Railway of Kentucky:	
Main line: Elkhorn City, Ky., to Ky.-Va. State Line	2.79
Total	287.24

The foregoing mileage was leased for a period of 999 years, from May 11, 1923, to the Atlantic Coast Line Railroad Company and Louisville & Nashville Railroad Company, under an Indenture dated October 16, 1924, and since December 1, 1924, has been operated by the said Lessees under the name of "Clinchfield Railroad Company."

In addition to the foregoing mileage, the Lessees also operate the following mileage under trackage rights formerly held by Carolina, Clinchfield and Ohio Railway:

	Miles
Norfolk & Western Railway, Carbo, Va., to St. Paul, Va.	8.45
Southern Railway, Frisco., Tenn., to Albert Yard, Va.	13.60
Total	22.05

This makes the total mileage operated by the Lessees, under the Lease, 309.29 miles.

M. R. GIFT REQUEST
29 JUL 1927

LESSORS' INCOME ACCOUNT

The condensed, combined income account of Carolina, Clinchfield and Ohio Railway, Carolina, Clinchfield and Ohio Railway of South Carolina and Clinchfield Northern Railway of Kentucky, for the year ended December 31, 1926, is as follows:

Rental—account dividend	$750,000.00
Other Rental—account interest on funded debt, etc.	1,503,048.12
Total Income	$2,253,048.12

DEDUCTIONS:

Interest on Funded Debt	$1,478,863.70
Other deductions	25,610.15
Total Deductions	$1,504,473.85
Net Income	$748,574.27
Dividends paid or appropriated	750,000.00
Deficit	*$1,425.73*

The slight deficit was caused by extraordinary items in connection with turning over the properties to the Lessees and the issuance of 250,000 shares of stock by the Transfer Agent and Registrar in 1925, and has already been made up out of the 1927 rental.

For the Board of Directors,

JOHN B. DENNIS, *President.*

RESULTS OF OPERATION BY LESSEES

The summary of the results of operation of the leased properties for the fiscal year ended December 31, 1926, as reported by the Lessees, is as follows:

Operating Revenues		$8,282,199.19
Operating Expenses		5,115,595.22
Net Revenue from Railway Operations		$3,166,603.97
Railway Tax Accruals	$970,000.00	
Uncollectible Railway Revenues	249.27	970,249.27
Railway Operating Income		$2,196,354.70
Equipment Rents	$1,341,366.88	
Joint Facility Rents	*Dr.* *23,768.84*	1,317,598.04
Net Railway Operating Income		$3,513,952.74
Non-operating Income		114,726.78
Gross Income		$3,628,679.52
Deductions from Gross Income (including fixed charges and dividend rental)		2,255,699.25
Net Income		$1,372,980.27

CAROLINA, CLINCHFIELD AND OHIO RAILWAY
CAROLINA, CLINCHFIELD AND OHIO RAILWAY OF SOUTH CAROLINA AND
CLINCHFIELD NORTHERN RAILWAY OF KENTUCKY
CONSOLIDATED GENERAL BALANCE SHEET
DECEMBER 31, 1926

ASSETS	
Investment in Road and Equipment	$71,041,576.38
Cash	107.16
Miscellaneous Accounts Receivable	187,500.00
Working Fund Advances	19.86
Other Deferred Assets	5,874,742.43
TOTAL	$77,103,945.83
LIABILITIES	
Capital Stock	$25,000,000.00
Funded Debt Unmatured	27,026,000.00
Unmatured Dividends Declared	187,500.00
Other Deferred Liabilities	99,214.99
Accrued Depreciation—Equipment	3,009,488.44
Additions to Property through Income and Surplus	67,238.68
Profit and Loss—Credit Balance	21,714,503.72
TOTAL	$77,103,945.83

STATEMENT OF FUNDED DEBT AND EQUIPMENT OBLIGATIONS, DECEMBER 31, 1926

Liens Created by	Character of Lien	Amount Outstanding	Date of Maturity	Rate Per Annum	Date Payable	Interest Accrued During Year
Carolina, Clinchfield and Ohio Ry.	First Mortgage 30-Year Gold Bonds.....(1)	$13,950,000	June 1, 1938	5%	June and Dec.	$697,500.00
Carolina, Clinchfield and Ohio Ry.	First and Consolidated Mortgage Gold Bonds, Series A.....	8,000,000	Dec. 15, 1952	6%	June 15 and Dec. 15	480,000.00
Lick Creek and Lake Erie R. R. Co.	First Mortgage Gold Bonds .....(2)	200,000	Jan. 1, 1933	5%	Jan. and July	9,750.00
Carolina, Clinchfield and Ohio Ry.	Equipment Trust Notes Series F.....	38,000	Jan. 1, 1927	5%	Jan. and July	2,850.00
Carolina, Clinchfield and Ohio Ry.	Equipment Trust Certificates, Series G....	42,000	Apr. 1, 1927	5%	April and Oct.	4,200.00
Carolina, Clinchfield and Ohio Ry.	Equipment Trust Notes No. 11..... (Equipment allocated by U. S. Government)	3,726,000	$414,000 matures annually, Jan. 15th	6%	Jan. and July	224,595.00
Carolina, Clinchfield and Ohio Ry.	Equipment Trust Certificates, Series H....	325,000	$25,000 matures March 15th and Sept. 15th	5½%	Mar. 15 and Sept. 15	19,135.40
Carolina, Clinchfield and Ohio Ry.	Equipment Trust Certificates, Series I.....	750,000	$50,000 matures June 1st and Dec. 1st	5%	June and Dec.	40,833.30
	Total.....	$27,031,000	.....	.....	.....	$1,478,863.70

CAROLINA, CLINCHFIELD AND OHIO RAILWAY OF SOUTH CAROLINA

Carolina, Clinchfield and Ohio Ry. of South Carolina....	First Mortgage Gold Bonds .....(3)	$3,000,000	June 1, 1938	5%	June and Dec.	(3)$150,000.00

(1) Does not include $1,050,000 held in treasury.
(2) Includes $5,000 owned by Carolina, Clinchfield and Ohio Railway.
(3) Owned by Carolina, Clinchfield and Ohio Railway.